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**Rahman Sarfaraz Rahim Iqbal Rafiq**

CHARTERED ACCOUNTANTS

**AUDITED FINANCIAL STATEMENTS  
OF  
SHERMAN SECURITIES  
(PRIVATE) LIMITED  
FOR THE YEAR ENDED  
JUNE 30, 2020**

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## INDEPENDENT AUDITORS' REPORT

To the members of Sherman Securities (Private) Limited

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the annexed financial statements of M/s. Sherman Securities (Private) Limited (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information ('the financial statements'), and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and, respectively, give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

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### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980); and
- e) the Company was in compliance with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licencing and Operations) Regulations, 2016 as at the date on which the statement of financial position was prepared.

The engagement partner on the audit resulting in this independent auditor's report is **Mr. Muhammad Rafiq Dosani**.

  
RAHMAN SARFARAZ RAHIM IQBAL RAFIQ  
Chartered Accountants

Karachi

Date:

27 SEP 2020

SHERMAN SECURITIES (PRIVATE) LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2020

ASSETS	Note	2020 Rupees	2019
<b>Non-current assets</b>			
Property and equipment	5	17,799,661	21,403,493
Intangible assets	6	4,042,094	4,177,618
Long term deposits	7	4,200,000	4,200,000
		26,041,755	29,781,111
<b>Current assets</b>			
Trade debts	8	6,315,055	12,601,560
Short term investments	9	1,099,497,941	1,213,462,555
Advances, prepayments and other receivables	10	8,731,221	7,980,132
Tax refundable due from government	11	79,838,056	79,478,697
Derivative	12	3,242,853	3,363,170
Cash and bank balances	13	83,331,841	44,269,849
		1,280,956,967	1,361,155,963
<b>Total assets</b>		<b>1,306,998,722</b>	<b>1,390,937,074</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized capital	14	150,000,000	150,000,000
Issued, subscribed and paid up capital	14	120,000,000	120,000,000
Unappropriated profit		704,389,599	504,602,608
		824,389,599	624,602,608
<b>Current liabilities</b>			
Short term borrowings - secured	15	386,334,108	628,111,332
Trade and other payables	16	87,051,155	49,074,811
Murabaha financing	17	-	70,807,655
Accrued markup	18	9,223,860	18,340,668
		482,609,123	766,334,466
Contingencies and commitments	19	-	-
<b>Total equity and liabilities</b>		<b>1,306,998,722</b>	<b>1,390,937,074</b>

The annexed notes from 1 to 31 form an integral part of these financial

  
CHIEF EXECUTIVE

  
DIRECTOR



SHERMAN SECURITIES (PRIVATE) LIMITED  
 STATEMENT OF PROFIT OR LOSS  
 FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019
Operating revenue	20	94,175,164	99,946,087
(Loss) / gain on derivative	21	(120,317)	3,363,170
Capital loss on sale of investment		(69,917,952)	(200,660,880)
Gain / (loss) on re-measurement of investments carried at fair value through profit or loss - net		<u>333,916,938</u>	<u>(142,724,289)</u>
		<b>358,053,833</b>	<b>(240,075,912)</b>
<b>Operating Expenses</b>			
Administrative expenses	22	(64,004,300)	(86,553,375)
Financial charges	23	(86,692,942)	(73,777,363)
		<b>(150,697,242)</b>	<b>(160,330,738)</b>
Other income	24	<u>790,563</u>	<u>2,252,613</u>
<b>Profit / (loss) before taxation</b>		<b>208,147,153</b>	<b>(398,154,038)</b>
Taxation	25	(8,360,162)	(11,583,723)
<b>Profit / (loss) after taxation</b>		<u><b>199,786,991</b></u>	<u><b>(409,737,761)</b></u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

  
 CHIEF EXECUTIVE

  
 DIRECTOR

SHERMAN SECURITIES (PRIVATE) LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	————— Rupees —————	—————
Profit / (loss) after taxation	199,786,991	(409,737,761)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>199,786,991</u>	<u>(409,737,761)</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

  
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CHIEF EXECUTIVE

  
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DIRECTOR

SHERMAN SECURITIES (PRIVATE) LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2020

	Issued, subscribed and paid up capital	Capital reserve	Revenue reserve	Total
		Surplus on re- measurement of equity securities	Unappropriated profit	
Rupees				
Balance as at June 30, 2018 (Restated)	120,000,000	17,034,644	900,820,574	1,037,855,218
Effect of adoption of new accounting standards (Note 4)	-	-	(3,514,849)	(3,514,849)
Loss for the year	-	-	(409,737,761)	(409,737,761)
Other comprehensive income	-	-	-	-
	-	-	(409,737,761)	(409,737,761)
Reclassification of surplus on investment upon reclassification of long term investment to short term investment	-	(17,034,644)	17,034,644	-
<b>Balance as at June 30, 2019</b>	<b>120,000,000</b>	<b>-</b>	<b>504,602,608</b>	<b>624,602,608</b>
Profit for the year	-	-	199,786,991	199,786,991
Other comprehensive income for the year	-	-	-	-
	-	-	199,786,991	199,786,991
<b>Balance as at June 30, 2020</b>	<b>120,000,000</b>	<b>-</b>	<b>704,389,599</b>	<b>824,389,599</b>

The annexed notes from 1 to 31 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR



SHERMAN SECURITIES (PRIVATE) LIMITED  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	208,147,153	(398,154,038)
Adjustment for:		
Depreciation	3,603,832	5,088,068
Loss on sale of securities	69,917,952	200,660,880
Gain on disposal of fixed asset	-	(827,028)
Interest income on cash margin placed with NCCPL	(790,563)	(1,330,935)
(Gain) / Loss on re-measurement of investments carried at fair value through profit or loss	(333,916,938)	142,724,289
Financial charges	86,692,942	73,777,363
Amortization	135,524	169,404
Provision for doubtful debts	-	3,025,765
Reversal of impairment	-	(94,650)
	<u>(174,357,251)</u>	<u>423,193,156</u>
Operating profit before working capital changes	33,789,902	25,039,118
<b>Effect on cash flows due to working capital changes</b>		
<b>Decrease / (increase) in current assets</b>		
Trade debts	6,286,505	4,574,086
Advance, prepayments & other receivables	(751,089)	35,278,436
Derivative	120,317	1,861,115
	<u>5,655,733</u>	<u>41,713,637</u>
<b>Decrease in current liabilities</b>		
Creditors, accrued and other liabilities	37,976,344	(67,834,559)
<b>Cash used in operations</b>	<u>43,632,077</u>	<u>(26,120,922)</u>
Finance cost paid	(95,809,750)	(59,367,068)
Income tax paid	(8,719,521)	(20,528,557)
<b>Net cash used in operating activities</b>	<u>(27,107,292)</u>	<u>(80,977,429)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale and purchase of securities-net	377,963,600	(153,899,922)
Purchase of property and equipments	-	(2,216,237)
Interest income received on cash margin placed with NCCPL	790,563	1,330,935
Proceeds from sales of property and equipments	-	5,000,000
<b>Net cash generated from / (used in) investing activities</b>	<u>378,754,163</u>	<u>(149,785,224)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Murabaha finance obtained	323,747,478	165,256,138
Murabaha finance repaid	(394,555,133)	(229,123,050)
<b>Net cash used in financing activities</b>	<u>(70,807,655)</u>	<u>(63,866,912)</u>
<b>Net increase / (decrease) in cash and cash equivalent during the year</b>	<u>280,839,216</u>	<u>(294,629,565)</u>
Cash and cash equivalent at the beginning of the year	(583,841,483)	(289,211,918)
Cash and cash equivalent at the end of the year	<u>(303,002,267)</u>	<u>(583,841,483)</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

10

**SHERMAN SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**1 STATUS AND NATURE OF BUSINESS**

Sherman Securities (Private) Limited (the Company) is a private company incorporated in Pakistan on July 15, 2002 under the Companies Ordinance, 1984 (now replaced with the enactment of the Companies Act, 2017 on May 30, 2017).

The Company is a holder of Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited. The principal activities of the Company are investments, share brokerage, Initial Public Offer (IPO) underwriting, investment and portfolio management. The Company's registered office is situated at Room No. 124, Pakistan Stock Exchange Building, Pakistan Stock Exchange Road, Karachi, Karachi.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and
- Provision of, and directives issued, under the Companies Act, 2017.

Where provisions of, and directives issued, under the Companies Act, 2017 differ from the IFRS, the latter have been followed.

**2.2 Accounting convention**

These financial statements have been prepared under, the historical cost convention, except for investments classified as 'at fair value through profit or loss (FVTPL)' which are carried at fair value.

**2.3 Functional and presentation currency**

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

**2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policy are as follows:

	<u>Note</u>
- Useful lives, residual values and depreciation method of property and equipment	4.1
- Provision for taxation	4.6

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### 3 NEW ACCOUNTING PRONOUNCEMENTS

#### 3.1 *Amendments to approved accounting standards and interpretations which became effective during the year ended June 30, 2020*

During the year, certain new accounting and reporting standards / amendments / interpretations became effective and applicable to the Company. However, since such updates were not considered to be relevant to the Company's financial reporting, the same have not been disclosed here.

#### 3.2 *New / revised accounting standards, amendments to published accounting standards and interpretations that are not yet effective*

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after the date specified below;

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 01, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The application of the amendment is not likely affect the financial statements of the Company.
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after January 01, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards. The amendments are not likely to affect the financial statements of the Company.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest rate benchmark reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after January 01, 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has, in turn, led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. An entity shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

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- Amendments to IFRS 16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

- a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b. any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- c. there is no substantive change to the other terms and conditions of the lease.

The above amendments are not likely to affect the financial statements of the Company.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 01, 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The amendments are not likely to affect the financial statements of the Company.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are not likely to affect the financial statements of the Company.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after January 01, 2022 clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are not likely to affect the financial statements of the Company.

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Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments are not likely to affect the financial statements of the Company.

#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

##### 4.1 Property and equipment

###### *Owned*

These are stated at cost less accumulated depreciation and impairment losses, if any. Cost include expenditures that are directly attributable to the acquisition of an asset.

Subsequent costs are included in the carrying amount as appropriate, only when it is probable that future economic benefits associated with an item will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss account during the year in which they are incurred.

Depreciation is charged to the statement of profit or loss applying the reducing balance method at the rates specified in note 5 to these financial statements. Depreciation is charged when an asset is available for use till the date the asset is disposed off.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year in which the asset is derecognized.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each financial year end. The Company's estimate of residual value of property and equipment as at June 30, 2020 did not require any adjustment.

##### 4.2 Intangible assets

###### *Computer software*

These are stated at cost less accumulated amortization and impairment losses, if any. Cost include expenditures that are directly attributable to the acquisition of an asset.

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Amortization is charged to the statement of profit or loss applying the reducing balance method at the rates specified in note 6 to these financial statements. Depreciation is charged when an asset is available for use till the date the asset is disposed off.

The assets' residual values, amortization method and useful lives are reviewed, and adjusted if appropriate, at each financial year end. The Company's estimate of residual value of property and equipment as at June 30, 2020 did not require any adjustment.

#### *Membership cards*

These are stated at cost less impairment, if any. The carrying amount is reviewed at each reporting date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

### **4.3 Trade debts**

These are carried at their transaction price less any allowance for lifetime expected credit losses. A receivable is recognized when the services are delivered to customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

### **4.4 Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term bank deposits, as defined above, net of outstanding bank borrowing as they are considered an integral part of the Company's cash management.

### **4.5 Financial assets**

#### **4.5.1 Initial recognition, classification and measurement**

The Company recognizes a financial asset when and only when it becomes a party to the contractual provisions of the instrument evidencing investment. The Company classifies its financial assets into either of following three categories:

- (a) financial assets measured at amortized costs;
- (b) fair value through other comprehensive income (FVOCI); and
- (c) fair value through profit or loss (FVTPL).

#### *(a) Financial assets measured at amortized cost*

A financial asset is measured at amortized cost if it is held within business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

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(b) *Financial assets at FVOCI*

A financial asset is classified as at fair value through other comprehensive income when either:

- (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; or
- (ii) it is an investment in equity instrument which is designated as at fair value through other comprehensive income in accordance with the irrevocable election available to the Company to at initial recognition.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

(c) *Financial assets at FVTPL*

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, as aforesaid.

Such financial assets are initially measured at fair value.

#### 4.5.2 *Subsequent measurement*

(a) *Financial assets measured at amortized cost*

These assets are subsequently measured at amortized cost (determined using the effective interest method) less accumulated impairment losses.

Interest / markup income, foreign exchange gains and losses and impairment losses arising from such financial assets are recognized in the statement of profit or loss.

(b) *Financial assets at FVOCI*

These are subsequently measured at fair value less accumulated impairment losses.

A gain or loss on a financial asset measured at fair value through other comprehensive income in accordance is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (except for investments in equity instruments which are designated as at fair value through other comprehensive income in whose case the cumulative gain or loss previously recognized in other comprehensive income is not so reclassified). Interest is calculated using the effective interest method and is recognised in profit or loss.

(c) *Financial assets at FVTPL*

These assets are subsequently measured at fair value.

Net gains or losses arising from remeasurement of such financial assets as well as any interest income accruing thereon are recognized in the statement of profit or loss.

#### 4.5.3 *Impairment*

The Company recognises a loss allowance for expected credit losses in respect of financial assets measured at amortised cost.

For trade receivables, the Company applies the IFRS 9 'Simplified Approach' to measuring expected credit losses which uses a lifetime expected loss allowance.

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For other financial assets, the Company applies the IFRS 9 'General Approach' to measuring expected credit losses whereby the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. However, if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Company measures expected credit losses on financial assets in a way that reflects an unbiased and probability-weighted amount, time value of money and reasonable and supportable information at the reporting date about the past events, current conditions and forecast of future economic conditions. The Company recognises in profit or loss, as an impairment loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

#### 4.5.4 *De-recognition*

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

#### 4.6 **Taxation**

Income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

##### *Current tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### *Deferred tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses and credits only if it is probable that future taxable amounts will be available to utilise those temporary differences and unused tax losses and credits.

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### *Judgement and estimates*

Significant judgement is required in determining the income tax expenses and corresponding provision for tax. The Company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Further, the carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. If required, carrying amount of deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits to allow the benefit of part or all of that recognised deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

### *Offsetting*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## **4.7 Provisions and contingent liabilities**

### *Provisions*

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

### *Contingent liabilities*

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

18

#### 4.8 Financial liabilities

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

#### 4.9 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are off-set and the net amount is reported in the statement of financial position if the Company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### 4.10 Revenue recognition

##### *Revenue from trading activities - brokerage*

Commission revenue from trading of securities is recognized when the performance obligation is satisfied, being when transaction is settled by the clearing house and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Broker's bills are also generated at that point in time.

A receivable is recognized when the transaction is settled by the clearing house as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company does not expect to have contracts where the period between the services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

##### *Dividend income*

Dividends received from investments measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognized in the statement of profit or loss when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of a part of the cost of an investment. In this case, dividend is recognized in other comprehensive income if it relates to an investment measured at fair value through other comprehensive income.

#### 4.11 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of impairment loss for a cash generating unit is allocated to the assets of the unit pro rata with the carrying amounts of those assets. The increase in the carrying amounts shall be treated as reversals of impairment losses for individual assets and recognized in profit or loss.

#### 4.12 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which such costs are capitalized as part of the cost of that asset.

#### 4.13 Dividends

Dividend distribution is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

### 5 PROPERTY AND EQUIPMENT

	Building	Furniture & Fixtures	Office Equipment	Computer	Vehicles	Total
	Rupees					
<b>As at June 30, 2018</b>						
Cost	15,266,953	2,554,547	2,252,161	10,194,977	27,838,214	58,106,852
Accumulated depreciation	(7,206,583)	(1,282,103)	(1,502,502)	(8,086,619)	(11,580,749)	(29,658,556)
<b>Net book value</b>	<b>8,060,370</b>	<b>1,272,444</b>	<b>749,659</b>	<b>2,108,358</b>	<b>16,257,465</b>	<b>28,448,296</b>
<i>Movement during the year ended June 30, 2019</i>						
Opening net book value	8,060,370	1,272,444	749,659	2,108,358	16,257,465	28,448,296
Additions during the year	-	-	-	966,237	1,250,000	2,216,237
Disposals:						
Cost	-	-	-	-	(5,965,015)	(5,965,015)
Accumulated Depreciation	-	-	-	-	1,792,043	1,792,043
Depreciation for the year	(806,037)	(127,244)	(74,966)	(769,027)	(3,310,794)	(5,088,068)
<b>Closing net book value</b>	<b>7,254,333</b>	<b>1,145,200</b>	<b>674,693</b>	<b>2,305,568</b>	<b>10,023,699</b>	<b>21,403,493</b>
<b>As at June 30, 2019</b>						
Cost	15,266,953	2,554,547	2,252,161	11,161,214	23,123,199	54,358,074
Accumulated depreciation	(8,012,620)	(1,409,347)	(1,577,468)	(8,855,646)	(13,099,500)	(32,954,581)
<b>Net book value</b>	<b>7,254,333</b>	<b>1,145,200</b>	<b>674,693</b>	<b>2,305,568</b>	<b>10,023,699</b>	<b>21,403,493</b>
<i>Movement during the year ended June 30, 2020</i>						
Opening net book value	7,254,333	1,145,200	674,693	2,305,568	10,023,699	21,403,493
Depreciation for the year	(725,433)	(114,520)	(67,469)	(691,670)	(2,004,740)	(3,603,832)
<b>Closing net book value</b>	<b>6,528,900</b>	<b>1,030,680</b>	<b>607,224</b>	<b>1,613,898</b>	<b>8,018,959</b>	<b>17,799,661</b>
<b>As at June 30, 2020</b>						
Cost	15,266,953	2,554,547	2,252,161	11,161,214	23,123,199	54,358,074
Accumulated depreciation	(8,738,053)	(1,523,867)	(1,644,937)	(9,547,316)	(15,104,240)	(36,558,413)
<b>Net book value</b>	<b>6,528,900</b>	<b>1,030,680</b>	<b>607,224</b>	<b>1,613,898</b>	<b>8,018,959</b>	<b>17,799,661</b>
<b>Annual rates of depreciation</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>30%</b>	<b>20%</b>	

20

6	INTANGIBLE ASSETS	Note	2020	2019
			Rupees	
	Trading Right Entitlement Certificate - PSX	6.1	2,500,000	2,500,000
	Membership Card - PMEX		1,000,000	1,000,000
	- Software license	6.2	542,094	677,618
			<u>4,042,094</u>	<u>4,177,618</u>

6.1 Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012, the Company had received a Trading Right Entitlement Certificate (TREC) in lieu of its membership card of PSX. The right has been carried at cost less impairment.

6.2	Software license	2020	2019
		Rupees	
	<i>Net carrying amount</i>		
	Opening net book value	677,618	847,022
	Amortization charge	(135,524)	(169,404)
	Closing net book value	<u>542,094</u>	<u>677,618</u>
	<i>Annual amortization rate</i>	<u>20%</u>	<u>20%</u>

## 7 LONG TERM DEPOSITS

*Deposit placed with:*

*Pakistan Mercantile Exchange Limited*

-Basic deposit

2,500,000

2,500,000

*Central Depository Company of Pakistan Limited*

-Basic deposit

100,000

100,000

*National Clearing Company of Pakistan Limited*

-Basic deposit

500,000

500,000

-Ready market

100,000

100,000

-Future market

1,000,000

1,000,000

1,600,000

1,600,000

4,200,000

4,200,000

## 8 TRADE DEBT

Considered good and secured

6,315,055

12,601,560

Considered doubtful- unsecured

6,540,614

6,540,614

12,855,669

19,142,174

Less: Provision for expected credit losses

(6,540,614)

(6,540,614)

6,315,055

12,601,560

### 8.1 Movement in provision for doubtful debts

Balance at the beginning of the year

6,540,614

-

Add: Effect of application of IFRS 9

-

3,514,849

Balance at the beginning of the year

6,540,614

3,514,849

Add: Charge for the year

-

3,025,765

Balance at the end of the year

6,540,614

6,540,614

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		2020	2019
	Notes	Rupees	
<b>9</b>	<b>SHORT TERM INVESTMENTS</b>		
	<i>Quoted equity securities carried at fair value through profit or loss</i>	<u>1,099,497,941</u>	<u>1,213,462,555</u>
	Fair value of listed securities at June 30 <sup>th</sup>	1,102,673,846	1,216,638,460
	Less: provision for impairment	9.1 <u>(3,175,905)</u>	<u>(3,175,905)</u>
		<u>1,099,497,941</u>	<u>1,213,462,555</u>
9.1	This represents impairment loss on listed securities with prolonged decline and absence of active market resulting from classification in defaulter segment. Impairment loss is the difference between cost and estimated future cashflows expected to be generated from these financial asset.		
<b>9.2</b>	<b>Movement in provision for impairment</b>	2020	2019
		Rupees	
	Balance at the beginning of the year	3,175,905	3,270,555
	Add: Charge for the year	-	(94,650)
	Balance at the end of the year	<u>3,175,905</u>	<u>3,175,905</u>
<b>9.3</b>	<b>Details of securities pledged</b>		
	<i>Pledged with banks</i>		
	Brokerage House	609,775,273	1,058,288,810
	Clients	<u>168,539,524</u>	<u>233,791,935</u>
		<u>778,314,797</u>	<u>1,292,080,745</u>
	<i>Pledged with PSX/NCCPL</i>		
	Brokerage House	158,947,220	84,359,020
	Clients	<u>3,212,800</u>	<u>13,604,030</u>
		<u>162,160,020</u>	<u>97,963,050</u>
<b>10</b>	<b>ADVANCES, PREPAYMENT AND OTHER RECEIVABLES</b>		
	<i>Advances</i>	7,305,450	6,732,450
	-Staff loan		
	<i>Prepayment</i>		
	-Prepaid insurance	117,453	117,453
	<i>Other receivables</i>	<u>1,308,318</u>	<u>1,130,229</u>
		<u>8,731,221</u>	<u>7,980,132</u>
<b>11</b>	<b>INCOME TAX REFUNDABLE</b>		
	Opening balance	79,478,697	70,533,862
	Advance tax paid during the year	8,719,521	20,528,558
		<u>88,198,218</u>	<u>91,062,420</u>
	Provision for taxation - current	(8,573,345)	(11,113,215)
	Provision for taxation - prior	213,183	(470,508)
		<u>(8,360,162)</u>	<u>(11,583,723)</u>
	Closing balance	<u>79,838,056</u>	<u>79,478,697</u>
<b>12</b>	<b>DERIVATIVE</b>		
	Derivative-designated at fair value through profit and loss	12.1 <u>3,242,853</u>	<u>3,363,170</u>
12.1	This represents receivable on account of trading in stand alone derivative in delivery future contract.		

13	CASH AND BANK BALANCES	Notes	2020	2019
			Rupees	
	Cash in hand		276,356	53,950
	Cash at bank:			
	- current account	13.1	83,055,485	44,215,899
			<u>83,331,841</u>	<u>44,269,849</u>

13.1 This includes cash at bank pertaining to client accounts amounting to Rs. 82.645 million (2019: 44.035 million).

#### 14 AUTHORIZED, ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2020	2019		2020	2019
			Rupees	
—Number of shares—				
<u>1,500,000</u>	<u>1,500,000</u>	<b>Authorized Capital:</b>		
		Ordinary shares of Rs. 100/- each	<u>150,000,000</u>	<u>150,000,000</u>
		<b>Issued, subscribed and paid-up :</b>		
<u>1,200,000</u>	<u>1,200,000</u>	Ordinary shares of Rs. 100/- each issued as fully paid in cash	<u>120,000,000</u>	<u>120,000,000</u>

14.1 There are no agreements with shareholders with respect to voting rights, board selection, rights of first refusal and block voting.

14.2 Shareholders holding more than 5% of the shares are as follows:

Categories of shareholders	2020		2019	
	Number of shares held	% of Shares held	Number of shares held	% of Shares held
<i>Individuals</i>				
Muhammad Samin	487,440	40.62%	487,440	40.62%
Muhammad Taufiq	450,000	37.50%	450,000	37.50%
Farzana Taufiq	149,760	12.48%	149,760	12.48%
Yaseen	240	0.02%	240	0.02%
Abdul Ghaffar	240	0.02%	240	0.02%
Muhammad Sumair	28,080	2.34%	28,080	2.34%
Muhammad Sadiq	28,080	2.34%	28,080	2.34%
Muhammad Saad	28,080	2.34%	28,080	2.34%
Abdullah	28,080	2.34%	28,080	2.34%
	<u>1,200,000</u>	<u>100.00%</u>	<u>1,200,000</u>	<u>100.00%</u>

15	SHORT TERM BORROWINGS - SECURED	Notes	2020	2019
			Rupees	
	JS Bank Limited	15.1	275,780,266	235,984,426
	Habib Metropolitan Bank Limited	15.2	70,626,162	244,685,467
	Sindh Bank Limited	15.3	39,927,680	147,441,439
			<u>386,334,108</u>	<u>628,111,332</u>

15.1 This represents the amount availed against a running finance facility obtained by the Company from M/s. JS Bank Limited in order to meet its working capital requirements. As of the reporting date, the limit of the facility was Rs. 300 million (2019: Rs. 300 million). The facility is secured against 1st exclusive charge over share amounting to Rs. 500 million, pledge over shares of listed companies quoted at Pakistan Stock Exchange Limited (as per bank approved list) with minimum margin of 35% and personal guarantees of directors. The facility carries markup at the rate of 1-Month KIBOR +2 % p.a. (2019: 1-Month KIBOR +2 % p.a.).

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15.2 This represents the amount availed against a running finance facility obtained by the Company from M/s. Habib Metropolitan Bank Limited in order to meet its working capital requirements. As of the reporting date, the limit of the facility was Rs. 400 million (2019: Rs. 400 million). The facility is secured against pledge over shares of listed companies quoted at Pakistan Stock Exchange Limited (as per bank approved list) with minimum margin of 40% and personal guarantees of directors. The facility carries markup at the rate of 3-Month KIBOR +2 % p.a. (2019: 3-Month KIBOR +2 % p.a.).

15.3 This represents the amount availed against a running finance facility obtained by the Company from M/s. Sind Bank Limited in order to meet its working capital requirements. As of the reporting date, the limit of the facility was Rs. Rs. 150 million (2019: Rs. 150 million). The facility is secured against pledge over shares of listed companies quoted at Pakistan Stock Exchange Limited (as per bank approved list) and personal guarantees of directors. The facility carries markup at the rate of 3-Month KIBOR +2 % p.a. (2019: 3-Month KIBOR +2 % p.a.).

15.4 As of the reporting date, the amount of unavailed facility was Rs. 463.666 million (2019: Rs. 221.889 million).

16	TRADE AND OTHER PAYABLES	2020	2019
		Rupees	
	Creditors	82,044,448	44,020,461
	Accrued liabilities	5,006,707	5,054,350
		<u>87,051,155</u>	<u>49,074,811</u>

17	MURABAHA FINANCING	2020	2019
			Opening Balance
	Principal obtained	323,747,478	165,256,138
		<u>394,555,133</u>	<u>299,930,705</u>
	Principal repayment	(394,555,133)	(229,123,050)
	Closing Balance	<u>-</u>	<u>70,807,655</u>

18	ACCRUED MARKUP	2020	2019
			Short term borrowings

#### 19 CONTINGENCIES AND COMMITMENTS

##### 19.1 Contingencies

FBR issued show cause notice on March 17, 2016 on non-deduction of withholding taxes on salaries for tax year 2015 amounting to Rs 22,404,285. The aforementioned order states that tax default payable under Section 161 of ITO Ordinance 2001 and default surcharge under section 205 of ITO Ordinance in aggregate amounted to Rs 6,411,352. The management in return has provided reconciliation to FBR under Rule 44 (4) of Income Tax Rules 2002 of amount of withholding tax deducted/paid and salaries accrued during tax year 2015 and believes favourable disposition in this regard.

19.2	Commitments	2020	2019
		Rupees	
	Guarantee given by a Dubai Islamic Bank Limited on behalf of the Company in favour of National Clearing Company of Pakistan Limited against DFC exposure	<u>10,000,000</u>	<u>20,000,000</u>

24

	2020	2019
	Rupees	
<b>20 OPERATING REVENUE</b>		
Commission income	41,132,892	29,755,979
Dividend Income	53,042,272	70,186,950
IPO commission	-	3,158
	<u>94,175,164</u>	<u>99,946,087</u>

**21 (LOSS) / GAIN FROM DERIVATIVE**

(Loss) / gain resulting from derivative	<u>120,317</u>	<u>3,363,170</u>
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21.1 This represent gains incurred by company during the year from trading in Delivery Future Contract.

	2020	2019
	Rupees	
<b>22 ADMINISTRATIVE EXPENSES</b>		
Salaries, benefits and allowances	31,502,134	35,374,783
Directors' remuneration	9,875,000	10,800,000
PSX / NCCPL electricity and service charges	5,515,522	5,929,302
CDC charges	780,406	71,034
Printing and stationery	-	80,500
Fees and subscription	718,000	694,510
Communication	583,761	916,150
Auditors' remuneration - Audit fee	600,000	600,000
Vehicle running expenses	149,896	444,329
Travelling and conveyance	-	2,953,125
Entertainment	725,851	1,225,566
Repair and maintenance	405,898	2,688,080
Depreciation	3,603,832	5,088,068
Provision for impairment	-	-
(Reversal) / Provision for doubtful debts	-	3,025,765
Advances write off	-	3,572,500
General expenses	310,533	2,110,275
Amortization of computer software	135,524	169,404
Insurance	253,258	371,247
Donation	2,575,000	4,525,000
Legal and professional	3,534,250	3,501,000
Software charges	2,735,435	2,412,737
	<u>64,004,300</u>	<u>86,553,375</u>

22.1 None of the directors of the Company or their spouses had any interest in the donee organizations.

	2020	2019
	Rupees	
<b>23 FINANCIAL CHARGES</b>		
Mark up on short term running finance	76,391,906	65,974,741
Interest on murabaha finance	10,011,041	7,454,465
Bank charges	289,995	348,157
	<u>86,692,942</u>	<u>73,777,363</u>



25

	2020	2019
	Rupees	
<b>24 OTHER INCOME</b>		
Interest income on cash margin placed with NCCPL	790,563	1,330,935
Gain on sale of fixed assets	-	827,028
Reversal of provision for impairment	-	94,650
	<u>790,563</u>	<u>2,252,613</u>
<b>25 TAXATION</b>		
Current	8,573,345	11,113,215
Prior	(213,183)	470,508
	<u>8,360,162</u>	<u>11,583,723</u>

25.1 The income tax assessments of the Company have been finalised up to and including the tax year 2019. Tax returns are deemed to be assessed under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for re-assessment by the taxation authorities. The Commissioner of Income Tax may, at any time during a period of five years from date of filing of return, select a deemed assessment order for the purpose of issuing an amended assessment order.

## 26 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting year as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:

	Note	2020	2019
		Rupees	
Cash and bank balances	13	83,331,841	44,269,849
Short term borrowings	15	(386,334,108)	(628,111,332)
		<u>(303,002,267)</u>	<u>(583,841,483)</u>

## 27 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of key management personnel and directors of the Company as well as their close family members. Remuneration of the Chief Executive, Directors is disclosed in note 28 to these financial statements.

## 28 REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including certain benefits to the Chief Executive, Director and executives of the Company, are as follows:

	Chief Executive		Directors		Total	
	2020	2019	2020	2019	2020	2019
	Rupees					
Basic salary	1,706,250	1,560,000	4,712,500	4,680,000	6,418,750	6,240,000
House allowance	656,250	600,000	1,812,500	1,800,000	2,468,750	2,400,000
Utility allowance	312,500	240,000	675,000	720,000	987,500	960,000
Bonus	-	300,000	-	900,000	-	1,200,000
	<u>2,675,000</u>	<u>2,700,000</u>	<u>7,200,000</u>	<u>8,100,000</u>	<u>9,875,000</u>	<u>10,800,000</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>		

28.1 The Chief Executive and Director have also been provided with free use of the Company maintained cars.

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26

29 FINANCIAL INSTRUMENTS

29.1 Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

*Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

A financial asset is regarded as credit impaired as and when it falls under the definition of a 'defaulted' financial asset. For the Company's internal credit management purposes, a financial asset is considered as defaulted when it is **past due for 90 days or more**.

The Company writes off a defaulted financial asset when there remains no reasonable probability of recovering the carrying amount of the asset through available means.

*Maximum exposure to credit risk*

As of the reporting date, the maximum exposure to credit risk was as follows :

	Note	2020 Rupees	2019
Long term deposits		4,200,000	4,200,000
Trade debts	29.1.1	6,315,055	12,601,560
Loan, deposit and other receivables		8,613,768	7,862,679
Bank balances		83,055,485	44,215,899
		<u>102,184,308</u>	<u>68,880,138</u>

29.1.1 Trade debts

The Company, as part of risk management strategies, reviews the clients' financial position and considers its past experience with them as well as obtains authorized approvals and arrange for necessary collaterals in the form of equity securities. Further, the Company assigns its clients trading limits (based on their net worth) which are subject to continuous monitoring and revision. In addition, proper margins are also collected from the clients.

As of the reporting date, the ageing analysis of trade debts was as follows:

	2020		2019	
	Gross	Life time expected credit losses	Gross	Life time expected credit losses
Not past due			-	-
Past due 1 day - 30 days	3,476,759		10,469,628	3,502,981
Past due 31 days - 180 days	1,931,038		8,672,546	3,037,633
Past due 181 days - 1 year	624,271		-	-
Above 1 Year	6,823,601	6,540,614	-	-
	<u>12,855,669</u>	<u>6,540,614</u>	<u>19,142,174</u>	<u>6,540,614</u>



## 29.1.2 Bank balances

The Company's credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. As of the reporting date, the external credit ratings of the Company's bankers were as follows:

Bank	Rating agency	Short-term Rating	2020		2019	
			----- ( Rupees ) -----			
MCB Bank Limited	PACRA	A-1+	50,001		181,243	
Bank Alfalah Limited	PACRA	A-1+	49,763		349,577	
Habib Bank Limited	JCR-VIS	A-1+	10,010		9,545	
United Bank Limited	JCR-VIS	A-1+	76,632		75,537	
Bank Al-Habib Limited	PACRA	A-1+	919,370		678,115	
Habib Metropolitan Bank Limited	PACRA	A-1+	26,635,218		35,343,602	
Dubai Islamic Bank limited	JCR-VIS	A-1+	15,619,416		7,359,099	
National Bank of Pakistan	PACRA	A-1+	268,772		20,236	
JS Bank Limited	PACRA	A-1+	39,357,630		105,272	
Bank Islami	PACRA	A-1+	18,673		43,673	
Soneri Bank Limited	PACRA	A-1+	50,000		50,000	
			<b>83,055,485</b>		<b>44,215,899</b>	

### Concentration of credit risk

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. As of the reporting date, the Company was not exposed to any major concentrations of credit risk.

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities:

	2020				
	Carrying amount	Contractual Cash flows (Rupees)	Less than six months	Six to	One to Five years
				twelve months	
Trade and other payables	86,215,139	(86,215,139)	(86,215,139)	-	-
Short term borrowing	386,334,108	(386,334,108)	(386,334,108)	-	-
Murabaha financing	-	-	-	-	-
Accrued markup	9,223,860	(9,223,860)	(9,223,860)	-	-
	<b>481,773,107</b>	<b>(481,773,107)</b>	<b>(481,773,107)</b>	<b>-</b>	<b>-</b>

	2019			
	Carrying	Contractual	Less than six	Six to
	amount	Cash flows	months	twelve
	(Rupees)			
				One to Five years
Trade and other payables	48,511,091	(48,511,091)	(48,511,091)	-
Short term borrowing	628,111,332	(628,111,332)	(628,111,332)	-
Murabaha financing	70,807,655	(70,807,655)	(70,807,655)	-
Accrued markup	18,340,668	(18,340,668)	(18,340,668)	-
	<u>765,770,746</u>	<u>(765,770,746)</u>	<u>(765,770,746)</u>	<u>-</u>

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: currency risk, interest rate risk and other

#### a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates and arises mainly where receivables and payables exist due to transactions entered into foreign currencies. As of the reporting date, the Company was not exposed to currency risk.

#### b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the market interest rates.

At the reporting date, the interest rate profile of the Company's significant interest bearing financial instruments (variable rate instruments) was as follows:

	2020	2019	2020	2019
	Effective interest rate (%)		Carrying amounts (Rs.)	
<b>Financial liabilities</b>				
Murabaha financing	12.5%-14.5%	15.01%-15.11%	-	70,807,655
Short term borrowing	12.67%-13.45%	14.87%-14.97%	<u>386,334,108</u>	<u>628,111,332</u>
			<u>386,334,108</u>	<u>698,918,987</u>

### Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate would not affect the carrying amount of any financial instrument.

The following information summarizes the estimated effects of 1% hypothetical increases and decreases in interest rates on cash flows from financial assets and financial liabilities that are subject to interest rate risk. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. The hypothetical changes in market rates do not reflect what could be deemed best or worst case scenarios. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

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	Effect on profit before tax	
	100 bp increase	100 bp decrease
<b>As at June 30, 2020</b>		
Cash flow sensitivity-Variable rate financial instruments	<u>(3,863,341)</u>	<u>3,863,341</u>
<b>As at June 30, 2019</b>		
Cash flow sensitivity-Variable rate financial instruments	<u>(6,989,190)</u>	<u>6,989,190</u>

c) *Other price risk*

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Presently, daily stock market fluctuation is controlled by government authorities with cap and floor of 5%. The restriction of floor prices reduces the volatility of prices of equity securities and the chances of market crash at any moment. The Company manages price risk by monitoring the exposure in quoted securities and implementing the strict discipline in internal risk management and investment policies, which includes disposing of its own equity investment and collateral held before it led the Company to incur significant mark-to-market and credit losses. As of the reporting date, the Company was exposed to other price risk since it had investments in quoted securities valuing to Rs. 1.099 billion (2019: 1.213 billion) and also because the Company held collaterals in the form of equity securities against their debtor balances.

The carrying value of investments subject to equity price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation and, consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

The Company's portfolio of short term investments is broadly diversified so as to mitigate the significant risk of decline in prices of securities in particular sectors of the market.

The table below summarizes the Company's other price risk as of June 30, 2020 and 2019 and shows the effects of a hypothetical 10% increase and a 10% decrease in prices in individual scrips as at the reporting date. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of markets and the aforementioned concentrations existing in Company's equity investment portfolio.

		Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in profit / (loss) before tax
June 30, 2020	Rupees	1,099,497,941	10% increase	1,209,447,735	109,949,794
			10% decrease	989,548,147	(109,949,794)
June 30, 2019	Rupees	1,213,462,555	10% increase	1,334,808,811	121,346,256
			10% decrease	1,092,116,300	(121,346,256)

## 29.2 Fair value estimate

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company measures the fair value of its assets and liabilities carried at fair value using the following hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 : Quoted market price (unadjusted) in an active market.

Level 2 : Valuation techniques based on observable inputs.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

Presently, the only item in the financial statements that is carried at fair value is the Company's short term investment in quoted equity securities. At each reporting date, the Company re-measures the fair value of such investments based on the share prices quoted on Pakistan Stock Exchange. Hence, the Company classifies all such investments within Level 1 of the fair value hierarchy.

29.3 Financial instruments by categories	2020	2019
	Rupees	
<b>Financial assets</b>		
<i>At fair value through profit or loss</i>		
Short term investments	1,099,497,941	1,213,462,555
<i>At amortized cost</i>		
Long term deposits	4,200,000	4,200,000
Trade debts	6,315,055	12,601,560
Loan, deposit and other receivables	8,613,768	7,862,679
Cash and bank balances	83,331,841	44,269,849
	<u>1,201,958,605</u>	<u>1,282,396,643</u>
<b>Financial liabilities</b>		
<i>At amortized cost</i>		
Short term borrowings - secured	386,334,108	628,111,332
Trade and other payables	86,215,139	48,511,091
Murabaha financing	-	70,807,655
Accrued markup	9,223,860	18,340,668
	<u>481,773,107</u>	<u>765,770,746</u>

## 30 REGULATORY DISCLOSURES RELATED TO CAPITAL

### 30.1 General capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The management closely monitors the return on capital along with the level of distributions to ordinary shareholders.

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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Following is the quantitative analysis of what the Company manages as capital:

	2020	2019
	Rupees	
<b>Borrowings:</b>		
Short term borrowings - secured	386,334,108	628,111,332
Murabaha financing	-	70,807,655
	<b>386,334,108</b>	<b>698,918,987</b>
<b>Shareholders' equity:</b>		
- Issued, subscribed and paid up capital	120,000,000	120,000,000
- Unappropriated profit	704,389,599	504,602,608
	<b>824,389,599</b>	<b>624,602,608</b>
<b>Total capital managed by the Company</b>	<b>1,210,723,707</b>	<b>1,323,521,595</b>

The Company is not subject to any externally imposed capital requirements.

### 30.2 Disclosure of capital adequacy level required by Central Depository Company of Pakistan Limited (CDC)

The Capital adequacy level as defined by CDC is calculated as follows;

	Note	2020	2019
		Rupees	
Total assets	30.2.1	1,306,998,722	1,390,937,074
Less: Total liabilities		(482,609,123)	(766,334,466)
Less: Revaluation Reserves (created upon revaluation of fixed assets)		-	-
<b>Capital adequacy level</b>		<b>824,389,599</b>	<b>624,602,608</b>

30.2.1 While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate as at year ended as determined by Pakistan Stock Exchange has been considered.

### 30.3 Disclosure of net capital balance as required by the Securities Brokers (Licensing and Operations) Regulations, 2016

DESCRIPTION	VALUATION	Note	2020	2019
			Rupees	
<b>Current assets</b>				
Cash and bank balances	As per Book Value	30.3.1	83,331,841	44,269,849
Trade receivables	Book Value less overdue for more than 14 days	30.3.2	2,669,594	9,193,197
Investment in listed securities in the name of broker.	Securities marked to market less 15% discount	30.3.3	904,556,354	990,589,238
Securities purchased for client	Securities purchased for the client and held by the member where the payment has not been received within 14 days.	30.3.4	3,049,261	2,033,237
Listed TFCs/Corporate Bonds of not less than BBB grade assigned by a credit rating company in Pakistan	Marked to market less 10% discount.		-	-
FIBs	Marked to market less 5% discount.		-	-
Treasury bills	At market value		-	-
			<b>993,607,050</b>	<b>1,046,085,521</b>
<b>Current liabilities</b>				
Trade payables	Book value less overdue for more than 30 days	30.3.5	62,891,629	21,072,216
Other liabilities	As per Book value	30.3.6	419,717,494	745,262,250
			<b>482,609,123</b>	<b>766,334,466</b>
<b>Net capital balance as at June 30, 2020</b>			<b>510,997,927</b>	<b>279,751,055</b>

*Handwritten mark*

31

	2020	2019
	Rupees	
<b>30.3.1 Cash and bank balances</b>		
Cash in hand	276,356	53,950
Bank balance pertaining to clients	82,645,454	44,035,444
Bank balance pertaining to brokerage house	410,031	180,455
	<u>83,331,841</u>	<u>44,269,849</u>
<b>30.3.2 Trade receivables</b>		
Book value	12,855,669	19,142,174
Less: Overdue for more than 14 days	(10,186,075)	(9,948,977)
	<u>2,669,594</u>	<u>9,193,197</u>
<b>30.3.3 Investment in Listed Securities in the name of broker</b>		
Securities marked to market	1,064,183,946	1,165,399,093
Less 15% discount	(159,627,592)	(174,809,855)
	<u>904,556,354</u>	<u>990,589,238</u>
<b>30.3.4 Securities purchased for client</b>		
Overdue balance for more than 14 days -gross value	<u>10,186,075</u>	<u>9,948,977</u>
Lower of overdue balance and securities held against such balance	<u>3,049,261</u>	<u>2,033,237</u>
<b>30.3.5 Trade payables</b>		
Book value	82,044,448	44,020,461
Less: overdue for more than 30 days	(19,152,819)	(22,948,245)
	<u>62,891,629</u>	<u>21,072,216</u>
<b>30.3.6 Other liabilities</b>		
Creditors overdue for more than 30 days	19,152,819	22,948,245
Short term borrowings	386,334,108	698,918,987
Accrued Liabilities and Other Payables	14,230,567	23,395,018
	<u>419,717,494</u>	<u>745,262,250</u>



32  
30.4 Disclosure of net liquid balance as required by the Securities Brokers (Licensing and Operations) Regulations, 2016

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
<b>1. Assets</b>				
1.1	Property & Equipment	17,799,661	100.00%	-
1.2	Intangible Assets	4,042,094	100.00%	-
1.3	Investment in Govt. Securities (150,000*99)	-	-	-
<b>Investment in Debt Securities</b>				
<b>If listed than:</b>				
i. 5% of the balance sheet value in the case of tenure upto 1 year.				
ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.				
iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.				
<b>If unlisted than:</b>				
i. 10% of the balance sheet value in the case of tenure upto 1 year.				
ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.				
iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.				
<b>Investment in Equity Securities</b>				
i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.				
ii. If unlisted, 100% of carrying value.				
iii. Subscription money against investment in IPO offer for Sale: Amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.				
iv. 100% Haircut shall be applied to Value of investment in any asset including shares of listed securities that are in Block, Freeze or Pledge status as on reporting date. (July 19, 2017) Provided that 100% haircut shall not be applied in case of investment in those securities which are Pledged in favor of Stock Exchange / Clearing House against Margin Financing requirements or pledged in favor of Banks against Short Term financing arrangements. In such cases, the haircut as provided in schedule III of the Regulations in respect of investment in securities shall be applicable (August 25, 2017)				
1.5		1,061,008,041	169,549,650	891,458,391
			100.00%	-
1.6	Investment in subsidiaries		100.00%	-
<b>Investment in associated companies/undertaking</b>				
i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.				
ii. If unlisted, 100% of net value.				
1.7		-	-	-
		-	100.00%	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	4,200,000	100.00%	-
1.9	Margin deposits with exchange and clearing house.		-	-
1.10	Deposit with authorized intermediary against borrowed securities under SLB.		-	-
1.11	Other deposits and prepayments	117,453	100.00%	-
Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(NI)				
1.12	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties		100.00%	-
1.13	Dividends receivables.		-	-
1.14	Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. (Securities purchased under repo arrangement shall not be included in the investments.)		-	-
1.15	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months	7,305,450		7,305,450
	Receivables other than trade receivables	81,146,374	100.00%	-
<b>Receivables from clearing house or securities exchange(s)</b>				
i. 100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.				
1.16	ii. Receivable on entitlements against trading of securities in all markets including MtM gains.	3,242,853	-	3,242,853

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
<b>I. Assets</b>				
	<b>Receivables from customers</b>			
	i. In case receivables are against margin financing, the aggregate of (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut. <i>i. Lower of net balance sheet value or value determined through adjustments.</i>			
	ii. In case receivables are against margin trading, 5% of the net balance sheet value. <i>ii. Net amount after deducting haircut</i>		5.00%	-
1.17	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, <i>iii. Net amount after deducting haircut</i>		-	-
	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. <i>iv. Balance sheet value</i>	1,302,909	-	1,302,909
	v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. <i>v. Lower of net balance sheet value or value determined through adjustments</i>	5,012,146	3,328,681	3,328,681
	vi. 100% haircut in the case of amount receivable from related parties.		100.00%	-
	<b>Cash and Bank balances</b>			
1.18	i. Bank Balance-proprietary accounts	410,031	-	410,031
	ii. Bank balance-customer accounts	82,645,454	-	82,645,454
	iii. Cash in hand	276,356	-	276,356
1.19	<b>Total Assets</b>	<b>1,306,998,722</b>		<b>989,970,125</b>
<b>2. Liabilities</b>				
	<b>Trade Payables</b>			
2.1	i. Payable to exchanges and clearing house		-	-
	ii. Payable against leveraged market products		-	-
	iii. Payable to customers	82,044,448	-	82,044,448
	<b>Current Liabilities</b>			
	i. Statutory and regulatory dues		-	-
	ii. Accruals and other payables	14,230,567	-	14,230,567
2.2	iii. Short-term borrowings	386,334,108	-	386,334,108
	iv. Current portion of subordinated loans		-	-
	v. Current portion of long term liabilities		-	-
	vi. Deferred Liabilities		-	-
	vii. Provision for bad debts		-	-
	viii. Provision for taxation		-	-
	ix. Other liabilities as per accounting principles and included in the financial statements		-	-
	<b>Non-Current Liabilities</b>			
	i. Long-Term financing		-	-
	a. Long-Term financing obtained from financial institution: Long term portion of financing obtained from a financial institution including amount due against finance lease		-	-
	b. Other long-term financing		-	-
	ii. Staff retirement benefits		-	-
2.3	iii. Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if: a. The existing authorized share capital allows the proposed enhanced share capital b. Board of Directors of the company has approved the increase in capital c. Relevant Regulatory approvals have been obtained d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed. e. Auditor is satisfied that such advance is against the increase of capital. iv. Other liabilities as per accounting principles and included in the financial statements		-	-

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34

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
<b>2. Liabilities</b>				
	<b>Subordinated Loans</b>	-	-	-
2.4	<p>i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: The Schedule III provides that 100% haircut will be allowed against subordinated Loans which fulfill the conditions specified by SECP. In this regard, following conditions are specified:</p> <p>a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period</p> <p>b. No haircut will be allowed against short term portion which is repayable within next 12 months.</p> <p>c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange.</p> <p>ii. Subordinated loans which do not fulfill the conditions specified by SECP</p>	-	-	-
2.5	<b>Total Liabilities</b>	<b>482,609,123</b>		<b>482,609,123</b>
<b>3. Ranking Liabilities Relating to :</b>				
	<b>Concentration in Margin Financing</b>			
3.1	The amount calculated client-to-client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.	-		-
	<b>Concentration in securities lending and borrowing</b>			
3.2	The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL. (ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-	-	-
	<b>Net underwriting Commitments</b>			
3.3	<p>(a) in the case of right issue : if the market value of securities is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issue where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting</p> <p>(b) in any other case : 12.5% of the net underwriting commitments</p>	-	-	-
	<b>Negative equity of subsidiary</b>			
3.4	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
	<b>Foreign exchange agreements and foreign currency positions</b>			
3.5	5% of the net position in foreign currency. Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency	-	-	-
3.6	Amount Payable under REPO	-	-	-
	<b>Repo adjustment</b>			
3.7	<p>In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities.</p> <p>In the case of financee/seller the market value of underlying securities after applying haircut less the total amount received less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.</p>	-	-	-
	<b>Concentrated proprietary positions</b>			
3.8	If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security. If the market of a security exceeds 51% of the proprietary position, then 10% of the value of such security	-	16,073,950	16,073,950

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S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
<b>3. Ranking Liabilities Relating to :</b>				
<b>Opening Positions in futures and options</b>				
3.9	i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/ pledged with securities exchange after applying VaR haircuts		-	-
	ii. In case of proprietary positions, the total margin requirements in respect of open positions to the extent not already met		-	-
<b>Short sell positions</b>				
3.10	i. In case of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts		-	-
	ii. In case of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.		-	-
3.11	<b>Total Ranking Liabilities</b>	-	16,073,950	16,073,950
		<b>824,389,599</b>	<b>Liquid Capital</b>	<b>491,287,052</b>

### 31 GENERAL

#### 31.1 Impact of COVID-19 on the financial statements

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also impacted the economy. On March 24, 2020, the Government announced a temporary lock down as a measure to reduce the spread of the COVID-19. The lockdown has also caused disruptions across various sectors of the economy in Pakistan. However, after lifting of the lockdown, PSX started to revive with increased trading activity with normalization of business and economic activities. The Company has assessed the accounting implications of these developments on these financial statements, however, according to management's assessment there is no significant accounting implications arising out of the effects of COVID-19 in these financial statements.

#### 31.2 Number of employees

The total number of employees and average number of employees at year end and during the year respectively are as follows:

	2020	2019
	Number	
Total number of employees as at June 30	<u>30</u>	<u>30</u>
Average number of employees during the year	<u>29</u>	<u>29</u>

#### 31.3 Corresponding figures

The corresponding figures have been rearranged and reclassified, wherever considered necessary for the purposes of comparison and better presentation. Major reclassifications of corresponding figures made in these financial statements are as follows:

Reclassified from component	Reclassified to component	—Rupees—
<i>Other income</i>	<i>Operating revenue</i>	
Dividend income	Dividend income	<u>70,186,950</u>

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**31.4 Date of authorization of the financial statements**

These financial statements have been authorized for issue by the Board of Directors of the Company in their meeting held on \_\_\_\_\_ 28 SEP 2020

**31.5 Level of rounding**

Figures in these financial statements have been rounded off to the nearest rupee.  
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\_\_\_\_\_  
**CHIEF EXECUTIVE**

  
\_\_\_\_\_  
**DIRECTOR**